

CENTRAL COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

June 30, 2007

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CENTRAL COMMUNITY SCHOOL DISTRICT  
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
Susan Ruhser	President	2007
Lori Bouska	Vice President	2007
Rachel Jaster	Board Member	2006
Gregory Hach	Board Member	Resigned Jul 10, 2006
Dave Meyers	Board Member (Appointed Jul 10, 2006)	2006
Jolene Jansen	Board Member	2008
Kristen Fitzgerald	Board Member	2008
Robert Hankey	Board Member	2008
Board of Education (After September 2006 Election)		
Susan Ruhser	President	2007
Lori Bouska	Vice President	2007
Jolene Jansen	Board Member	2008
Kristin Fitzgerald	Board Member	2008
Robert Hankey	Board Member	2008
Rachel Jaster	Board Member	2009
Kevin Lau	Board Member	2009
Brian Rodenberg	Superintendent	2007
Joyce Piorkowski	District Secretary and Business Manager	2007
Alan J. Johnson	Treasurer	2007
Stephen D. Saunders	Attorney	2007

# Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report

To the Board of Education of  
Central Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Community School District, Elkader, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2007 on our consideration of Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws,

regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 15 and 42 through 43 are not required parts of the basic financial statements, but are supplementary information required by the governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information, included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Elkader, Iowa 52043

December 7, 2007

*Dietz, Donald & Company*  
Dietz, Donald & Company, CPAs  
FEIN 42-1172392



# CENTRAL COMMUNITY SCHOOL DISTRICT

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2007 FINANCIAL HIGHLIGHTS

General Fund revenues increased from \$ 4,646,814 in fiscal 2006 to \$ 4,761,846 in fiscal 2007, while General Fund expenditures increased from \$ 4,604,092 in fiscal 2006 to \$ 4,816,042 in fiscal 2007. The District's General Fund balance decreased from \$ 189,809 in fiscal 2006 to \$ 130,908 in fiscal 2007, a 31% decrease.

The increase in General Fund revenues was due mainly to an increase in state foundation aid. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Central Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Central Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Central Community School District acts solely as custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds.

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets-the difference between the District's assets and liabilities-are one way to measure the District's financial health and financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

**Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

**Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds-not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.



Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as the management levy.

The District has three kinds of funds:

- 1) Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs

The District governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Proprietary fund: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. The District currently has one Fiduciary Fund, a Private Purpose Trust Fund.

Private-Purpose Trust Fund-The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

# GOVERNMENT-WIDE FINANCIAL ANALYSIS

A summary of the District's net assets at June 30, 2007 compared to June 30, 2006, is provided below.

Condensed Statement of Net Assets (Expressed in Thousands)							
	Government Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2007-2006
Current and other assets	\$ 3,911	3,298	66	74	3,977	3,372	17.9%
Capital assets	1,651	1,509	7	8	1,658	1,517	9.3%
Total assets	5,562	4,807	73	82	5,635	4,889	15.3%
Long-term liabilities	156	45	-	-	156	45	246.7%
Other liabilities	3,013	2,460	4	19	3,017	2,479	21.7%
Total liabilities	3,169	2,505	4	19	3,173	2,524	25.7%
Net Assets							
Invested in capital assets	1,537	1,509	7	8	1,544	1,517	1.8%
Restricted	768	616	-	-	768	616	24.7%
Unrestricted	88	177	62	55	150	232	-35.3%
Total net assets	\$ 2,393	2,302	69	63	2,462	2,365	4.1%

The District's combined net assets increased by over 4%, or approximately \$ 97,000 from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment).

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The restricted net assets increased approximately \$ 152,000.

Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements-decreased approximately \$ 82,000 or 35%. This decrease in unrestricted net assets was a result of General Fund expenditures exceeding General Fund revenues by nearly \$ 59,000.

The following schedule shows the change in net assets for the years ended June 30, 2007 and 2006.

		Change in Net Assets (Expressed in Thousands)						
		Governmental Activities		Business Type Activities		Total District		Total Change
		2007	2006	2007	2006	2007	2006	2007-2006
Revenues:								
Program revenues:								
Charge for service	\$	409	373	119	111	528	484	9.1%
Operating grants, contributions and related interest		620	539	101	121	721	660	9.2%
General revenues:								
Property tax		1,804	1,767	-	-	1,804	1,767	2.1%
Local option sales and service tax		333	268	-	-	333	268	24.3%
Income tax surtax		162	154	-	-	162	154	5.2%
Unrestricted state grants		2,132	2,063	-	-	2,132	2,063	3.3%
Unrestricted investment earnings		56	11	2	1	58	12	383.3%
Other		15	24	-	-	15	24	- 37.5%
Total revenues		5,531	5,199	222	233	5,753	5,432	5.9%
Program expenses:								
Governmental activities:								
Instruction		3,478	3,285	-	-	3,478	3,285	5.9%
Support services		1,539	1,494	-	-	1,539	1,494	3.0%
Non-instructional programs		-	-	216	230	216	230	- 6.1%
Other expense		422	276	-	-	422	276	52.9%
Total expenses		5,439	5,055	216	230	5,655	5,285	7.0%
Change in net assets	\$	92	144	6	3	98	147	- 33.3%

In fiscal 2007, property tax and unrestricted state grants account for 71.2% of the revenues from governmental activities while charges for services and operating grants and contributions account for 99.1% of the revenue from business type activities.

The District's total revenues were approximately \$ 5.75 million of which \$ 5.53 million was for governmental activities and nearly \$ 222,000 was for business type activities.

As shown above, the District as a whole experienced a 5.9% increase in revenues and a 7.0% increase in expenses. Property taxes increased approximately \$ 37,000 while unrestricted state grants increased

approximately \$ 69,000. The increases in expenses related to increases in the negotiated salaries and benefits.

#### Governmental Activities

Revenues for governmental activities were \$ 5,530,613 and expenses were \$ 5,439,004. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net costs of the District's major governmental activities: instruction, support services and other expenses.

Total and Net Cost of Governmental Activities (Expressed in Thousands)						
Total Cost of Service			Net Cost of Services			
		Change			Change	
	2007	2006	2006-2007	2007	2006	2006-2007
Instruction	\$ 3,478	3,285	5.9%	\$ 2,700	2,583	4.5%
Support services	1,539	1,494	3.0%	1,499	1,464	2.4%
Other expenses	422	276	52.9%	211	96	119.8%
Total	\$ 5,439	5,055	7.6%	\$ 4,410	4,143	6.4%

The cost financed by users of the District's programs was \$ 409,318.

Federal and state governments subsidized certain programs with grants and contributions totaling \$ 619,427.

The net cost of governmental activities was financed with \$ 2,298,779 in property and other taxes and \$ 2,131,830 in unrestricted state grants.

#### Business Type Activities

Revenues for business type activities were \$ 221,585 and expenses were \$ 215,946. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

#### INDIVIDUAL FUND ANALYSIS

As previously noted, Central Community School District used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$ 899,103, a small

increase over last year's ending fund balance of \$ 838,357.

#### **Governmental Fund Highlights**

The District's decreased General Fund balance is the result of expenditures increasing by 4.6%, while revenues increased 2.5%. This resulted in the General Fund balance decreasing by \$ 58,901.

The Capital Projects Fund was started in 2004 to account for revenues from local option sales tax. For fiscal 2006 the Fund had revenues of \$ 268,640 and expenditures of \$ 99,549. For fiscal 2007 the Fund had revenues of \$ 343,370 and expenditures of \$ 343,630. Additionally the Fund received \$ 150,504 in revenue note proceeds and transferred \$ 41,419 out for debt service payments.

#### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$ 62,839 at June 30, 2006 to \$ 68,478 at June 30, 2007, representing an increase of approximately 9.0%. For fiscal 2007, the District's cost decreased by \$ 13,936, while revenues decreased by \$ 11,400.

#### **Budgetary Highlights**

The District's revenues were \$ 67,139 less than budgeted revenues caused by state revenues being less than budgeted amounts.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2007, the District had invested over \$ 1.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. This represents a net increase of 8.6% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$ 157,200.

The original cost of the District's capital assets was \$ 4.4 million. Governmental funds account for \$ 4.3 million, with the remainder of \$ 0.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building category, which increased by \$ 228,760 most of which was due to the elementary remodeling project.

Capital Assets, net of Depreciation (expressed in thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Land	\$ 101	101	\$ -	-	\$ 101	101	-
Construction in progress	-	37	-	-	-	37	- 100.0%
Buildings	1,228	1,073	-	-	1,228	1,073	14.4%
Furniture and equipment	322	298	7	8	329	306	7.5%
Totals	<u>\$ 1,651</u>	<u>1,509</u>	<u>\$ 7</u>	<u>8</u>	<u>\$ 1,658</u>	<u>1,517</u>	<u>9.3%</u>

#### Long-term Debt

At June 30, 2007 the District had \$ 156,310 in other long-term debt outstanding. This represents an increase of approximately 247% from last year. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Outstanding Long-Term Obligation (expressed in thousands)			
	Total District		Total Change
	June 30,		June 30,
	2007	2006	2006-2007
Early retirement	\$ 36	32	12.5%
Compensated absences	7	13	-46.2%
Revenue notes	114	-	-%
Total	<u>\$ 157</u>	<u>45</u>	<u>246.7%</u>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

The District has experienced declining enrollment for the past three years and expects that trend to continue.

Budgeted disbursements for fiscal 2008 are \$ 359,700 less than the final budgeted amount for fiscal 2007, a 5.3% decrease. The proposed property tax rate for 2008 is 13.98751 (per \$ 1,000 taxable valuation) a 0.25% increase from fiscal 2007. The budget for 2007 included \$ 800,000 for remodeling the elementary portion of the District's facility.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joyce Piorkowski, District Secretary, Central Community School District, 400 First Street NW, Elkader, Iowa 52043.

## BASIC FINANCIAL STATEMENTS



CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2007

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents:			
ISCAP	\$ 599,710	0	599,710
Other	1,124,648	56,583	1,181,231
Receivables:			
Property tax:			
Delinquent	43,949	0	43,949
Succeeding year	1,856,228	0	1,856,228
Accounts	9,402	918	10,320
ISCAP accrued interest	178	0	178
Due from other governments	277,824	0	277,824
Inventories	0	8,498	8,498
Capital assets, net of accumulated depreciation	1,651,078	6,808	1,657,886
<b>TOTAL ASSETS</b>	<b>5,563,017</b>	<b>72,807</b>	<b>5,635,824</b>
<b>LIABILITIES</b>			
Accounts payable	81,114	732	81,846
Salaries and benefits payable	307,026	368	307,394
Due to other governments	2,004	0	2,004
Deferred revenue:			
Succeeding year property tax	1,856,228	0	1,856,228
Other	163,880	3,229	167,109
ISCAP warrants payable	598,000	0	598,000
ISCAP accrued interest payable	4,584	0	4,584
Long-term liabilities:			
Portion due within one year:			
Revenue notes	49,323	0	49,323
Compensated absences	6,809	0	6,809
Early retirement	17,632	0	17,632
Portion due after one year:			
Revenue notes	64,419	0	64,419
Early retirement	18,127	0	18,127
<b>TOTAL LIABILITIES</b>	<b>3,169,146</b>	<b>4,329</b>	<b>3,173,475</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,537,336	6,808	1,544,144
Restricted for:			
Management levy	94,708	0	94,708
Physical plant and equipment levy	38,821	0	38,821
Local option sales tax capital projects	495,526	0	495,526
Other special revenue purposes	139,140	0	139,140
Unrestricted	88,340	61,670	150,010
<b>TOTAL NET ASSETS</b>	<b>\$ 2,393,871</b>	<b>68,478</b>	<b>2,462,349</b>

See notes to financial statements.

Exhibit B

CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007

FUNCTIONS/PROGRAMS:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Service	Operating Grants and Contributions	Governmental Activities	Business Type Activities	
Governmental activities						
Instruction:						
Regular	\$ 2,351,114	193,944	241,108	(1,916,062)	0	(1,916,062)
Special	659,375	52,054	114,453	(492,868)	0	(492,868)
Other	467,760	160,988	16,117	(290,655)	0	(290,655)
	<u>3,478,249</u>	<u>406,986</u>	<u>371,678</u>	<u>(2,699,585)</u>	<u>0</u>	<u>(2,699,585)</u>
Support services:						
Student	141,078	0	3,927	(137,151)	0	(137,151)
Instructional staff	118,018	0	33,327	(84,691)	0	(84,691)
Administration	585,766	290	0	(585,476)	0	(585,476)
Plant operation and maintenance	382,290	0	0	(382,290)	0	(382,290)
Transportation	311,710	2,042	0	(309,668)	0	(309,668)
	<u>1,538,862</u>	<u>2,332</u>	<u>37,254</u>	<u>(1,499,276)</u>	<u>0</u>	<u>(1,499,276)</u>
Other expenditures:						
Facilities acquisition	157,291	0	24,216	(133,075)	0	(133,075)
Long-term debt interest	4,657	0	0	(4,657)	0	(4,657)
AEA flowthrough	186,279	0	186,279	0	0	0
Depreciation (unallocated)	73,666	0	0	(73,666)	0	(73,666)
	<u>421,893</u>	<u>0</u>	<u>210,495</u>	<u>(211,398)</u>	<u>0</u>	<u>(211,398)</u>
Total governmental activities	<u>5,439,004</u>	<u>409,318</u>	<u>619,427</u>	<u>(4,410,259)</u>	<u>0</u>	<u>(4,410,259)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	215,946	118,398	101,412	0	3,864	3,864
Total	<u>\$ 5,654,950</u>	<u>527,716</u>	<u>720,839</u>	<u>(4,410,259)</u>	<u>3,864</u>	<u>(4,406,395)</u>
GENERAL REVENUES:						
Property tax levied for:						
General purposes				1,708,343	0	1,708,343
Capital outlay				95,817	0	95,817
Local option sales and service tax				332,541	0	332,541
Income tax surtax				162,078	0	162,078
Unrestricted state grants				2,131,830	0	2,131,830
Unrestricted investment earnings				56,346	1,775	58,121
Other				14,913	0	14,913
Total general revenues				<u>4,501,868</u>	<u>1,775</u>	<u>4,503,643</u>
Change in net assets				91,609	5,639	97,248
Net assets beginning of year				<u>2,302,262</u>	<u>62,839</u>	<u>2,365,101</u>
Net assets end of year				<u>\$ 2,393,871</u>	<u>68,478</u>	<u>2,462,349</u>

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

	General	Capital Projects	Nonmajor	Total
<b>ASSETS</b>				
Cash and pooled investments:				
ISCAP	\$ 599,710	0	0	599,710
Other	443,182	419,043	262,423	1,124,648
Receivables:				
Property tax:				
Delinquent	38,408	0	5,541	43,949
Succeeding year	1,638,455	0	217,773	1,856,228
Accounts	9,402	0	0	9,402
ISCAP accrued interest	178	0	0	178
Due from other funds	0	0	4,705	4,705
Due from other governments	189,117	88,707	0	277,824
<b>TOTAL ASSETS</b>	<b>\$ 2,918,452</b>	<b>507,750</b>	<b>490,442</b>	<b>3,916,644</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 68,890	12,224	0	81,114
Salaries and benefits payable	307,026	0	0	307,026
Due from other governments	2,004	0	0	2,004
Due to other funds	4,705	0	0	4,705
ISCAP warrants payable	598,000	0	0	598,000
ISCAP accrued interest payable	4,584	0	0	4,584
Deferred revenue:				
Succeeding year property tax	1,638,455	0	217,773	1,856,228
Other	163,880	0	0	163,880
<b>TOTAL LIABILITIES</b>	<b>2,787,544</b>	<b>12,224</b>	<b>217,773</b>	<b>3,017,541</b>
Fund balances:				
Unreserved	130,908	495,526	272,669	899,103
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,918,452</b>	<b>507,750</b>	<b>490,442</b>	<b>3,916,644</b>

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2007

Total fund balances of governmental funds (page 19)	\$ 899,103
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	1,651,078
Long-term liabilities, including notes payable, compensated absences and early retirement, are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>(156,310)</u>
Net assets of governmental activities (page 17)	<u><u>\$ 2,393,871</u></u>

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2007

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,735,333	332,541	229,985	2,297,859
Tuition	241,353	0	0	241,353
Other	63,745	10,829	170,976	245,550
State sources	2,533,956	0	220	2,534,176
Federal sources	187,066	0	24,216	211,282
Total revenue	4,761,453	343,370	425,397	5,530,220
Expenditures:				
Current:				
Instruction				
Regular	2,271,678	0	78,882	2,350,560
Special	654,103	0	0	654,103
Other	294,826	0	166,178	461,004
	3,220,607	0	245,060	3,465,667
Support services:				
Student	137,099	0	0	137,099
Instructional staff	100,374	0	28,599	128,973
Administration	565,020	0	30,923	595,943
Plant operation and maintenance	362,017	0	20,377	382,394
Transportation	244,646	0	64,693	309,339
	1,409,156	0	144,592	1,553,748
Other expenditures:				
Facilities acquisition	0	343,630	29,628	373,258
Long-term debt:				
Principal	0	0	36,762	36,762
Interest and fiscal changes	0	0	4,657	4,657
AEA flowthrough	186,279	0	0	186,279
	186,279	343,630	71,047	600,956
Total expenditures	4,816,042	343,630	460,699	5,620,371
Deficiency of revenues under expenditures	(54,589)	(260)	(35,302)	(90,151)
Other financing sources (uses):				
Operating transfers in	0	0	46,124	46,124
Operating transfers out	(4,705)	(41,419)	0	(46,124)
Revenue notes issued	0	150,504	0	150,504
Sale of equipment	393	0	0	393
Total other financing sources (uses)	(4,312)	109,085	46,124	150,897
Net change in fund balances	(58,901)	108,825	10,822	60,746
Fund balances beginning of year	189,809	386,701	261,847	838,357
Fund balances end of year	\$ 130,908	495,526	272,669	899,103

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2007

Net changes in fund balances-total governmental funds (page 21) \$ 60,746

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 297,988	
Depreciation expense	<u>(155,898)</u>	142,090

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term debt in the Statement of Net Assets. Repayments of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(150,504)	
Repaid	<u>36,762</u>	(113,742)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Payment of these liabilities is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets. Expenditures in the governmental funds exceeded expenses in the Statement of Activities, as follows:

Early retirement	(3,602)	
Compensated absences	<u>6,117</u>	2,515

Change in net assets of governmental activities (page 18)	<u>\$ 91,609</u>
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See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2007

	<u>School Nutrition</u>
ASSETS	
Cash	\$ 56,583
Accounts receivable	918
Inventories	8,498
Capital assets, net of accumulated depreciation	<u>6,808</u>
TOTAL ASSETS	<u>72,807</u>
LIABILITIES	
Accounts payable	732
Salaries and benefits payable	368
Deferred revenue	<u>3,229</u>
TOTAL LIABILITIES	<u>4,329</u>
NET ASSETS	
Invested in capital assets	6,808
Unrestricted	<u>61,670</u>
TOTAL NET ASSETS	<u>\$ 68,478</u>

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2007

	<u>School Nutrition</u>
Operating revenues:	
Local sources	
Charges for service	<u>\$ 118,398</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	83,534
Benefits	20,039
Purchased services	3,201
Supplies	107,821
Depreciation	<u>1,351</u>
Total operating expenses	<u>215,946</u>
Operating loss	<u>(97,548)</u>
Non-operating revenues:	
State sources	2,982
Federal sources	98,430
Interest income	<u>1,775</u>
Total non-operating revenues	<u>103,187</u>
Net income	5,639
Net assets beginning of year	<u>62,839</u>
Net assets end of year	<u>\$ 68,478</u>

See notes to financial statements.



CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2007

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sales of lunches and breakfasts	\$ 117,503
Cash paid to employees for services	(119,103)
Cash paid to suppliers for goods or services	<u>(97,948)</u>
Net cash used by operating activities	<u>(99,548)</u>
Cash flows from non-capital financing activities:	
State grants received	2,982
Federal grants received	<u>84,411</u>
Net cash provided by non-capital financing activities	<u>87,393</u>
Cash flows from capital and related financing activities:	
Interest on investments	<u>1,775</u>
Net decrease in cash	(10,380)
Cash beginning of year	<u>66,963</u>
Cash end of year	<u>\$ 56,583</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (97,548)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	14,019
Depreciation	1,351
(Increase) in accounts receivable	(803)
(Increase) in inventories	(1,677)
Increase in accounts payable	732
Increase in salaries and benefits payable	368
(Decrease) in due to other funds	(15,898)
(Decrease) in deferred revenue	<u>(92)</u>
Net cash used by operating activities	<u>\$ (99,548)</u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2007, the District received \$ 14,019 of federal commodities	

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2007

	Private Purpose Trust
	<u>Scholarship</u>
ASSETS	
Cash	\$      2,000
LIABILITIES	
None	<u>0</u>
NET ASSETS	
Reserved for scholarships	<u>\$      2,000</u>

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2007

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 80
Deductions:	
Support services:	
Scholarships awarded	<u>80</u>
Change in net assets	0
Net assets beginning of year	<u>2,000</u>
Net assets end of year	<u><u>\$ 2,000</u></u>

See notes to financial statements.

Central Community School District

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades Kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Elkader, Volga City, St. Olaf, Elkport and Garber, Iowa and the predominate agricultural territory of west central Clayton County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Central Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on the organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Central Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Clayton County Assessor's Conference Board.

## B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund accounts for receipts and disbursement of the local option sales tax.

The District reports the following major proprietary fund;

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports the following fiduciary fund which focuses on net assets and changes in net assets:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible

to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a  $1\frac{1}{2}\%$  per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend



asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 3,000
Buildings	3,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	4-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable not collected within sixty days after year end.

Deferred revenues in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and lunch tickets sold in the current year which will not be used until the following year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balances are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances, certain high rated commercial paper; perfected repurchase agreements; certain registered openend management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - At June 30, 2007 the District had \$ 47,000 invested in certificates of deposit with maturities ranging from 3 to 336 days.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

**(3) Interfund Transfers**

The detail of interfund transfers at June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Student Activity	General	\$ 4,705
Debt Service	Capital Projects	<u>41,419</u>
Total		<u>\$ 46,124</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08A	6/28/07	6/28/08	\$ 599,710	178	598,000	4,584

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows;

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2006-07A	\$ -	150,000	150,000	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Warrants
2006-07A	4.600%	5.676%
2007-08A	4.500	5.455

#### (5) Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 101,000	-	-	101,000
Construction in progress	37,024	-	37,024	-
Total capital assets not being depreciated	138,024	-	37,024	101,000
Capital assets being depreciated:				
Buildings	2,548,530	228,760	-	2,777,290
Furniture and equipment	1,391,220	106,252	-	1,497,472
Total capital assets being depreciated	3,939,750	335,012	-	4,274,762
Less accumulated depreciation for:				
Buildings	1,475,884	73,666	-	1,549,550
Furniture and equipment	1,092,902	82,232	-	1,175,134
Total accumulated depreciation	2,568,786	155,898	-	2,724,684
Total capital assets being depreciated, net	1,370,964	179,114	-	1,550,078
Governmental activities capital assets, net	\$ 1,508,988	179,114	37,024	1,651,078
Business type activities:				
Furniture and equipment	\$ 63,876	-	-	63,876
Less accumulated depreciation	55,717	1,351	-	57,068
Business type activities capital assets, net	\$ 8,159	(1,351)	-	6,808

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Other \$ 1,415

Support services:

Student 3,979

Instructional staff 6,373

Administration 583

Operation and maintenance of plant 2,935

Transportation 66,947

82,232

Unallocated

73,666

Total depreciation expense-governmental activities

\$ 155,898

Business type activities:

Food service operations

\$ 1,351

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Revenue notes	\$ -	150,504	36,762	113,742	49,323
Early retirement	28,723	32,325	25,289	35,759	17,632
Compensated absences	12,926	6,809	12,926	6,809	6,809
Total	<u>\$ 41,649</u>	<u>189,638</u>	<u>74,977</u>	<u>156,310</u>	<u>73,764</u>

Revenue Notes

Details of the District's June 30, 2007 local option sales and service tax revenue notes are as follows:

Year Ending June 30,	Notes Issued Dec 1, 2006			
	Interest Rates	Principal	Interest	Total
2008	3.90%	\$ 49,323	3,733	53,056
2009	3.90	51,284	1,772	53,056
2010	3.90	13,135	129	13,264
Total		<u>\$ 113,742</u>	<u>5,634</u>	<u>119,376</u>

The local option sales and service tax revenue notes were issued for the purpose of defraying a portion of the cost of school infrastructure. The notes are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The notes are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

#### Early Retirement

The District offers a voluntary early retirement benefit to employees who have completed twelve (12) years of service and have reached age 55. Classified employees must have been employed at least thirty (30) hours per week for ten (10) months per year. Certified employees must be at least half time to qualify. Employees will receive a cash payment calculated as follows: twenty percent (20%) of unused accumulated sick days multiplied by the employees per diem wages. Per diem wages are based on contract days.

Supplemental duties and extended contract days are excluded. Classified per diem will be figured only to a maximum of eight hours. Upon retirement the employee shall be eligible to participate in the school district's health insurance plan. The school district will pay up to \$ 300 per month towards this group insurance. This policy will be in effect until June 30, 2008.

#### **(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$ 172,065, \$ 148,229 and \$ 159,443, respectively, equal to the required contributions for each year.

#### **(8) Risk Management**

Central Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets,

errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$ 186,279 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Related Party Transactions**

The District had business transactions totaling \$ 1,485 between the District and District employees during the year ended June 30, 2007.

**(11) Construction Commitment**

The District has entered into a contract totaling \$ 73,850 for a remodeling project. The entire balance will be paid as work on the project progresses.

**(12) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:		
— Student Activity	General	<u>\$ 4,705</u>

The General Fund is reimbursing the Student Activity Fund for certain expenses.



REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPEDITURES AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND  
 Year Ended June 30, 2007

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts	Budgeted to Actual Variance
Revenues:					
Local sources	\$ 2,784,762	120,173	2,904,935	2,909,537	(4,602)
Intermediate sources	0	0	0	1,800	(1,800)
State sources	2,534,176	2,982	2,537,158	2,622,607	(85,449)
Federal sources	211,282	98,430	309,712	285,000	24,712
Total revenues	5,530,220	221,585	5,751,805	5,818,944	(67,139)
Expenditures:					
Instruction	3,465,667	0	3,465,667	3,574,118	108,451
Support services	1,553,748	0	1,553,748	1,903,041	349,293
Non-instructional programs	0	215,946	215,946	296,060	80,114
Other expenditures	600,956	0	600,956	998,908	397,952
Total expenditures	5,620,371	215,946	5,836,317	6,772,127	935,810
Excess (deficiency) of revenues over (under) expenditures	(90,151)	5,639	(84,512)	(953,183)	868,671
Other financing sources, net	150,897	0	150,897	500	150,397
Excess (deficiency) of revenues and other financing sources over (under) expenditures	60,746	5,639	66,385	(952,683)	1,019,068
Balances beginning of year	838,357	62,839	901,196	1,241,053	(339,857)
Balances end of year	\$ 899,103	68,478	967,581	288,370	679,211

See accompanying independent auditor's report.

Central Community School District

Notes to Required Supplementary Information-Budgetary Reporting

Year Ended June 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except the Private Purpose Trust Fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

## Schedule 1

CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2007

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
ASSETS					
Cash	\$ 91,434	134,435	36,554	0	262,423
Receivables:					
Property tax:					
Delinquent	3,274	0	2,267	0	5,541
Succeeding year	120,000	0	97,773	0	217,773
Due from other funds	0	4,705	0	0	4,705
TOTAL ASSETS	\$ 214,708	139,140	136,594	0	490,442
LIABILITIES AND FUND EQUITY					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	\$ 120,000	0	97,773	0	217,773
Fund equity					
Unreserved fund balance	94,708	139,140	38,821	0	272,669
TOTAL LIABILITIES AND FUND EQUITY	\$ 214,708	139,140	136,594	0	490,442

See accompanying independent auditor's report.

## Schedule 2

CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2007

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 134,169	0	95,816	0	229,985
Other	8,079	159,473	3,424	0	170,976
State sources	130	0	90	0	220
Federal sources	0	0	24,216	0	24,216
Total revenues	142,378	159,473	123,546	0	425,397
Expenditures:					
Current:					
Instruction:					
Regular	78,882	0	0	0	78,882
Other	0	166,178	0	0	166,178
Support services:					
Instructional staff	0	0	28,599	0	28,599
Administration	30,923	0	0	0	30,923
Plant operations and maintenance	20,377	0	0	0	20,377
Transportation	0	0	64,693	0	64,693
	130,182	166,178	93,292	0	389,652
Other expenditures:					
Facilities acquisition	0	0	29,628	0	29,628
Long-term debt					
Principal	0	0	0	36,762	36,762
Interest and fiscal charges	0	0	0	4,657	4,657
	0	0	29,628	41,419	71,047
Total expenditures	130,182	166,178	122,920	41,419	460,699
Excess (deficiency) of revenues over (under) expenditures	12,196	(6,705)	626	(41,419)	(35,302)
Other financing sources:					
Operating transfers in	0	4,705	0	41,419	46,124
Excess (deficiency) of revenues and other financing sources over (under) expenditures	12,196	(2,000)	626	0	10,822
Fund balances beginning of year	82,512	141,140	38,195	0	261,847
Fund balances end of year	\$ 94,708	139,140	38,821	0	272,669

See accompanying independent auditor's report.

## Schedule 3

CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2007

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intrafund Transfers	Balance End of Year
Operations	\$ 128,847	20,166	15,064	(23,651)	110,298
Drama	128	2,090	2,179	0	39
Speech	(913)	913	0	0	0
Music Department Dry Cleaning	1,537	2,016	694	0	2,859
Vocal Music	(710)	1,166	456	0	0
Instrumental music	(748)	748	0	0	0
Junior High Athletics	(2,616)	0	4,424	2,616	(4,424)
Co-ed Athletics	8,685	35,515	16,577	(8,685)	18,938
Basketball	(5,109)	0	3,369	5,109	(3,369)
Track	(4,185)	0	2,004	4,185	(2,004)
Cross Country	(735)	0	250	735	(250)
Golf	(443)	0	1,211	443	(1,211)
Football	(10,015)	0	7,571	10,015	(7,571)
Baseball	(3,746)	0	4,572	3,746	(4,572)
Wrestling	(2,202)	0	2,969	2,202	(2,969)
Volleyball	(3,479)	0	2,951	3,479	(2,951)
Softball	(4,009)	0	4,661	4,009	(4,661)
Cheerleaders	(420)	0	0	420	0
Football Club	218	2,207	2,067	0	358
Softball Club	112	1,065	0	0	1,177
Basketball Club	1,329	2,008	2,012	0	1,325
Baseball Club	1,760	864	467	0	2,157
FFA	526	250	35	0	741
FCCLA	19	803	793	0	29
Mentors	368	0	88	0	280
National Honor Society	336	550	424	0	462
Elementary Media Club	573	3,558	2,479	0	1,652
Yearbook	1,898	7,996	8,346	0	1,548
Athletic Boosters	1,278	14,832	10,537	0	5,573
Student Council	198	850	571	0	477
Letterwinners Club	40	4,725	4,711	0	54
Spanish Club	11,564	20,421	28,537	0	3,448
Drama Club	468	0	0	0	468
Volleyball Club	1,023	2,218	2,018	0	1,223
Cheerleaders Club	2,701	2,858	4,345	(420)	794
Class of 2010	0	418	50	0	368
Class of 2009	1,676	5,186	3,175	0	3,687
Class of 2008	1,111	11,286	10,941	0	1,456
Class of 2007	3,097	1,291	2,247	0	2,141
Class of 2006	566	0	466	0	100

(continued)

Schedule 3  
(continued)

CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNT  
Year Ended June 30, 2007

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intrafund Transfers	Balance End of Year
Class of 2005	19	0	19	0	0
Milk/Juice Sales	736	2,905	1,915	(736)	990
Soft Drink/Juice Sales	3,467	6,191	4,657	(3,467)	1,534
Reading is Fundamental	1,571	1,170	397	0	2,344
Elementary Fundraisers	4,480	7,365	5,478	0	6,367
Elementary Activities	55	547	451	0	151
Entrepreneurs	84	0	0	0	84
Total	\$ 141,140	164,178	166,178	0	139,140

See accompanying independent auditor's report.



CENTRAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUNDS  
 For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 2,297,859	2,105,807	2,237,329	2,045,458
Tuition	241,353	221,079	185,009	188,036
Other	245,550	191,932	175,084	228,800
Intermediate sources	0	1,330	1,509	0
State sources	2,534,176	2,504,532	2,495,563	2,298,034
Federal sources	211,282	171,406	196,002	155,688
Total	<u>\$ 5,530,220</u>	<u>5,196,086</u>	<u>5,290,496</u>	<u>4,916,016</u>
Expenditures:				
Instruction:				
Regular	\$ 2,350,560	2,261,741	2,212,440	2,171,150
Special	654,103	572,937	484,282	625,832
Other	461,004	429,072	518,944	496,360
Support services:				
Student	137,099	132,861	126,412	131,133
Instructional staff	128,973	160,749	156,287	176,439
Administration	595,943	505,812	479,063	493,333
Plant operation and maintenance	382,394	379,627	366,882	353,982
Transportation	309,339	298,568	253,009	263,890
Other expenditures:				
Facilities acquisition	373,258	131,181	216,419	188,047
Long-term debt:				
Principal	36,762	0	0	0
Interest and other charges	4,657	0	0	0
AEA flowthrough	186,279	180,395	180,137	181,770
Total	<u>\$ 5,620,371</u>	<u>5,052,943</u>	<u>4,993,875</u>	<u>5,081,936</u>

See accompanying independent auditor's report.

# Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Education of the  
Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Central Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated December 7, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Central Community School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Central Community School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent and detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Central Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Central Community School District's financial statements that is more than inconsequential will not be prevented or

detected by the Central Community School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Central Community School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Central Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

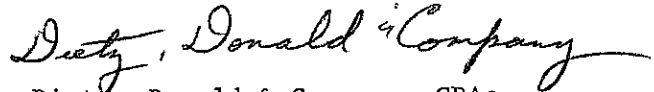
The Central Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit the Central Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Central Community School District and other parties to whom the Central Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Central Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

December 7, 2007

A handwritten signature in cursive script that reads "Dietz, Donald & Company".

Dietz, Donald & Company, CPAs  
FEIN 42-1172392

CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2007

- A. **Certified Budget** - Expenditures for the year ended June 30, 2007, did not exceed the amounts budgeted.
- B. **Questionable Disbursements** - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 15, 1979 were noted.
- C. **Travel Expense** - No disbursements of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- D. **Business Transactions** - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike Fitzgerald, spouse of Board Member, co-owner of Fitzgerald Surge, Inc.	Supplies	\$ 89
Paul Olson, spouse of janitor, owner of Olson Appliance	Repairs	131
Ron Engelhardt, spouse of cook, owner of R&R Dairy	Food	352
Ute Gage, spouse of janitor, owner of Elkader Dry Cleaners	Dry cleaning	<u>914</u>
		<u>\$ 1,486</u>

In accordance with an Attorney General's opinion dated November 9, 1976, the above transactions do not appear to represent a conflict of interest.

- E. **Bond Coverage** - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- F. **Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.

- G. **Certified Enrollment** - No variances in the basic enrollment data certified to the Department of Education were noted.
- H. **Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- I. **Certified Annual Report** - The Certified Annual Report was certified with the Department of Education timely.
- J. **Request for Proposal** - The District did not send out requests for proposal in accordance with Chapter 11.6 before employing a Certified Public Accountant to conduct the audit.

**Recommendation** - A minimum of three requests for proposal should be sent out and responses evaluated before engaging a firm to conduct the audit.

**Response** - We have already sent out requests for proposal for fiscal 2008 audit.

**Conclusion** -Response accepted.